GOVERNMENT OF INDIA
FINANCE
LOK SABHA

UNSTARRED QUESTION NO:2071
ANSWERED ON:05.08.2005
EXTERNAL COMMERCIAL BORROWING
Gadhavi Shri Pushpdan Shambhudan

Will the Minister of FINANCE be pleased to state:

(a) the present norm and limit on External Commercial Borrowing (ECB) by Indian companies;

(b) the details of loss suffered by Gujarat Government as a result of discrepancy in the system; (

(c) whether the Finance Ministry has undertaken a review on the issue of ECB with a view to help corporate sector in getting cheap funds from abroad;

(d) if so, the details thereof ?

Answer

MINISTER OF STATE IN THE MINISTRY OF FINANCE(SHRI S.S. PALANIMANICKAM)

(a): As per the extant policy, corporates registered under the Companies Act, 1956, [except financial intermediaries such as banks, financial institutions(FIs)], are eligible borrowers to raise ECB. ECB can be accessed under two routes, namely;

(i) Automatic Route - up to USD 500 million equivalent during a financial year; and

(ii) Approval Route. - beyond USD 500 million and proposals not covered under auto route.

(b): In accordance with Article 293 of the Constitution of India, the executive powers of the State extends to borrowing within the territory of India and as such States cannot directly raise foreign currency loans outside the country. The loss to the Gujarat Government as a result of ECB policy, therefore, does not arise.

(c) & (d): The policy on ECB is reviewed regularly in consultation with the Reserve Bank of India (RBI) keeping in view the current macroeconomic situation and within an overall annual ceiling consistent with prudent debt management. Government undertook a review of ECB policy recently and issued a Press Note on June 03, 2005. RBI has issued detailed guidelines on ECB which are available on RBI`s website at www.rbi.org.in